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FARM ADJUSTMENT AIDED BY LOANS ON COMMODITIES

Farmers have long held that they could market their crops more effectively, could iron out to some extent the wide fluctuations in price, and could more adequately protect the country against shortage, if adequate low-cost credit were available on their agricultural commodities in storage at or near the farm. In the past generation farmers have obtained, step by step, other types of credit especially adapted to the peculiar needs of agriculture, but it was not until 1933 that the "commodity loan" was initiated by the Government, when loans were made on warehoused cotton at the rate of 10 cents per pound, and on farm-stored corn at the rate of 45 cents per bushel.

The recently announced 1935 corn loan at the rate of 45 cents is the latest of the commodity loans to be announced. Experience gained with this type of loan has shown that they can be highly helpful to farmers and to the country as a whole. The commodity loan program is closely tied in with the adjustment programs. The loans can be made only on products specifically designated by the President of the United States. Also, the Commodity Credit Corporation, which functions the loans, has made it a policy to make loans only on products for which production adjustment programs or marketing programs have been worked out.

Although the Commodity Credit Corporation works in close cooperation with the Agricultural Adjustment Administration, and is an integral part of the

farm program, the Corporation is technically a separate agency. It was established October 17, 1933, under the laws of the State of Delaware, for the purpose of making loans which would support farm prices by enabling farmers to hold their products for more orderly marketing, rather than dumping the season's harvest on the market within a relatively short period.

The Commodity Credit Corporation has made loans on cotton, corn, gum turpentine and gum rosin. Loans made on turpentine and rosin have been suspended since the control feature of the marketing agreement and license in force for those products were suspended. The purpose of coupling loans closely with production adjustment or marketing control is a part of the central plan of the loans, based on the theory that while loans without production adjustment would tend to pile up surpluses and depress prices, loans on farm commodities for which an adjustment is going forward on a national scale are an important adjunct of adjustment, as they enable farmers to reap the full benefit of their efforts toward adjustment. This was demonstrated in the 1934 corn-loan, under which producers taking advantage of the loan on 267,540,000 bushels of corn realized a net gain of $82,989,000 over the loan value of their corn and the costs of the loan.

The Commodity Credit Corporation is managed by a board of directors of nine members, including the Secretary of Agriculture, and representatives of the Agricultural Adjustment Administration, the Farm Credit Administration, and the Reconstruction Finance Corporation. The entire capital stock of $3,000,000 of the Corporation was subscribed by the Secretary of Agriculture and the Governor of the Farm Credit Administration, who hold it jointly on behalf of the United States. Loans are made in two ways: Directly by the Corporation, or by banks and other lending agencies under an agreement by

which the Corporation agrees to purchase paper held by banks in connection with such loans. All loans have borne interest at the rate of 4 percent.

Under the cotton loan plan $120,000,000 was advanced during 1933 on a ten cents a pound basis. All but $321,000 had been repaid by October 1. In 1934, under a twelve cent loan, $273,181,166 was advanced. $269,615,632 was still outstanding October 1 of this year. And on that date over $300,000 had been advanced under the 1935 10-cent cotton loan.

Loans to corn farmers on their 1933 crop totalled about $121,000,000 on the basis of 45 cents a bushel. A 55 cents a bushel loan on the 1934 crop totalled $11,042,393.08. Both of the loans have been repaid in full.

Loans on naval stores, that is, gum turpentine and gum rosin, were made on a basis of $50 per unit. (A unit is a 50 gallon barrel of turpentine and three and a third 500-pound barrels of rosin). On October 1, 1935, loans made since the program began in the summer of 1934 totalled $6,689,422.16. $902,583.70 had been repaid, leaving a balance of $5,786,838.46.

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FARM BUYING POWER REACHES NEW HIGH

The buying power of farm products on October 15, 1935, reached the highest point since 1929. By October 15 the general level of prices received by farmers had moved up to 109 percent of the 1909-1914 base, while prices paid remained at 126 percent of this base, thus giving farm products a buying power equal to 87 percent of pre-war. With the exception of 1930, when buying power was also 87, this is the highest since 1929, when it was 95. The lowest point was March of 1933, when the ratio stood at 55 percent of pre-war. This ratio does not include the effect of AAA rental and benefit payments.

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FARMER'S SHARE IN BREAD PRICE INCREASES

The wheat farmer's share in consumer expenditures for bread is increasing -- but the price the farmer receives for his wheat is still one of the smallest items in the cost of bread to the housewife.

To make a pound loaf of bread requires an average of 14.17 ounces of wheat -- thus an average bushel of wheat will make about 62 pound loaves. On this basis, the wheat farmer received 1.19 cents for the amount of wheat in one loaf in 1913-14 and the final cost of the loaf to the consumer was 5.90 cents. In 1931-32 the farmer received just .61 cents for the amount of wheat in a loaf which cost the housewife an average of 7.15 cents. In 1934-35, the share of the wheat farmer in a loaf increased to 1.28 cents and the price to the consumer increased to 8.32 cents.

The margin of the baker and retailer -- covering cost of baking, labor, advertising, selling and profit, etc., but not including cost of materials -- has varied with a tendency to increase. In 1913-14 this margin was 3.7 cents; in 1931-32, it was 5.84 cents; in 1932-33 it was 4.65; in 1933-34, it was 5.01 and in 1934-35 it was 5.28 cents.

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NEARLY HALF OF THE NATION DEPENDS UPON FARM INCOME

The welfare of 45 percent, or nearly half of the nation's population depends more or less directly on the amount, and the buying power of, farm income. Thirty-two millions, or about 25 percent of the population live on farms and are directly dependent on farm income. There is an additional 20 percent of the population, made up of merchants, dealers, service vendors, professional people, teachers, laborers, etc. whose livelihood depends directly upon the farmers' capacity to pay for their goods or service.

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THIRTY YEARS OF HISTORY BEHIND COTTON ADJUSTMENT

For 30 years the Cotton Belt has sought ways of stabilizing its cotton crop. In 1904 the first 13-million bale crop dropped the price to 7 cents a pound, and the Southern Cotton Association in 1905 launched a plan for 25 to 40 percent acreage reduction.

Thousands of farmers signed pledges to take part. As a result 14 percent less acreage was planted, production decreased 23 percent, and the 10-1/2 million bale crop brought the price to the highest level with one exception since 1879.

The higher prices caused the plan to be forgotten. In 1906 another 13-million bale crop brought on another period of low price. In 1914 the first 16-million bale crop depressed the price to 6 cents a pound. That year South Carolina legislated to limit acreage to six acres for each plow, but lack of similar action by other states made the attempt futile.

Three crops of 11-million bales followed and improved prices were maintained until 1920 when the price again declined below 10 cents due to another 13-million bale crop accompanied by depressed business conditions. Several years of abnormally small crops due to ravages of the boll weevil followed accompanied by high prices which were maintained until 1926 when a 17-million bale crop dropped prices to 10 cents a pound. Several States then passed control measures, but they failed through lack of cooperation by all cotton States.

The Agricultural Adjustment Act in 1933 made possible the first belt-wide participation in acreage adjustment.

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DAIRY PRODUCTS PURCHASE SERVES DOUBLE PURPOSE

Buying $21,500,000 worth of dairy products by the AAA has benefited both milk producers and needy families. The purchase program, begun in 1933, has resulted in the removal of surplus dairy products to the extent of 127,000,000 pounds of butter, cheese, dry skim milk and evaporated milk, which have been distributed through relief agencies. Purchased, but not yet delivered are 8,258,000 pounds of butter and dry skim milk. The purchases, from funds provided by Congress for this purpose, have aided in stabilizing markets for dairy products.

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1932-33 RECORD LOW LEVEL IN VALUE OF FARM EXPORTS

Even though the drought so drastically curtailed agricultural supplies that the value of agricultural exports fell from $787,347,000 for the fiscal year 1933-34 to $668,779,000 for 1934-35, the value of agricultural exports did not fall to the record low level which was set during the fiscal year 1932-33 when agricultural exports had a value of only $589,653,000.

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CORN-HOG IMPORTS SMALL COMPARED TO PRODUCTION

Despite the drought of 1934 which reduced corn and feed grain crops to half their normal size and brought hog numbers to lowest levels in 45 years, January to September 1935 imports of corn amount to only 1.4 percent of average U.S. corn production, or about 3-1/2 percent of the drought loss; pork imports were only 1/5 of one percent of the federally inspected slaughter, or less than 5 percent of the amount of pork <u>exported</u> in the same period.

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CONTRACTING FARMERS RAISE MAJORITY NATION'S CORN, HOGS

Though corn and hogs may be found on about 4-1/2 million U.S. farms of 3 acres or more, not more than 1,400,000 are commercial producers. The million farms under corn-hog contracts produced nearly three-fourths of all hogs, more than half of all corn, produced in the country.

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